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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/2023 (TERM ID 2215)

PAL0022 – BASIC ACCOUNTING FOR LAWYERS
(All sections/groups)

17 FEBRUARY 2023
9.00 a.m-11.00 a.m
(2 hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 5 pages excluding the cover page with 3 questions.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet.

QUESTION 1**Part A**

During the year ended 31st December 2021, Sunshine Ltd carried out work on its property. Indicate which of the following is capital expenditure or revenue expenditure.

- a) Built an extension to its existing property
- b) Bought a new computer system for the business.
- c) Redecorated the interiors in the entire property.
- d) Installed and perform testing air conditioning in the extended property
- e) Started advertising campaign about the improvement of the property.
- f) Purchased computer accessories for office use.
- g) Purchased of office furniture and fittings.
- h) Insurance premium paid of entire property for the current year.
- i) Purchased of loose tools for property.
- j) Incurred repair cost to office furniture.

(10 marks)

Part B

On 1st January 2019 a company purchased Asset A for RM400,000 and depreciated it on a straight-line basis over a 4-year period. The estimated disposal value is at RM10,000.

The company then purchased Asset B on 1st January 2019 at a cost of RM100,000. The asset was expected to remain in service for 10 years. The company has depreciated Asset B on a reducing balance basis at 20%.

Required:

- a) Prepare a schedule showing the annual depreciation expense, accumulated depreciation and net book value of Asset A for each of the four years (2019, 2020, 2021 and 2022) using straight line method. (6 marks)
- b) Prepare a schedule showing the annual depreciation expense, accumulated depreciation and net book value of Asset B for each of the four years (2019, 2020, 2021 and 2022) using reducing balance method. (6 marks)
- c) State journal entry to record depreciation for Asset A and Asset B in year 2021. (3 marks)

(Total: 25 marks)

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QUESTION 2**Part A**

Cost classification:

i) Direct material
ii) Direct labour
iii) Selling and distribution expenses
iv) Direct expenses
v) Administration expenses
vi) Indirect manufacturing costs
vii) Financial charges

Cost items:

- a) Purchases of raw materials
- b) Direct wages
- c) General factory expenses
- d) Depreciation of factory machinery
- e) Commission on sales
- f) Factory rent
- g) Carriage inward of raw materials
- h) Royalties paid
- i) Administration salaries
- j) Bank charges

Required:

Match the cost items (a-j) with the correct cost classification provided (i-vii)
(10 marks)

Part B

Below are the transactions occurred in Business & Law Club for the year ended 31 December 2021.

	RM
Total subscriptions for the year ended 31 December 2021	9,500
Donation received	1,400
Purchase of non-current assets	350
Profits on sales of tote bags	2,200
Study trips expenses	1,800
Invited speaker's fees expenses	300
Meeting expenses	800
Stationery and printing expenses	220

Required:

Draw up the income and expenditure account for the year ended 31 December 2021.
(10 marks)

Continued...

Part C

The following trial balance has been prepared on 31 December 2021, from the books of Jean & Jerry.

Jean & Jerry Trial Balance as at 31 December 2021		
	Debit (RM)	Credit(RM)
Purchases and sales	10,770	26,110
Inventory, 1 January 2021	2,000	
Short term loan		4,000
Interest on short term loan	400	
Salaries expenses	4,550	
Office expenses	1,240	
Accounts Receivable and Payable	5,250	1,100
Equipment	13,900	
Cash	100	
Capital Accounts:		
Jean		5,000
Jerry		3,000
Drawings in cash:		
Jean	600	
Jerry	400	
	39,210	39,210

Additional information:

- 1) The closing inventory is valued at RM2,200.
- 2) Equipment is to be depreciated at 10% per annum on cost.
- 3) Profits and losses are to shared equally.
- 4) 5% interest is allowed on partners' capital and 5% is also charged on partners' drawings.

Required:

Prepare the Income Statement (including appropriation) for the year ended 31 December 2021. (15 marks)

Continued...

Part D

The following trial balance has been prepared on 31 December 2021, from the books of Thalia Limited:

	Debit (RM)	Credit (RM)
Share capital (issued and paid up):		
RM1 Ordinary shares		69,000
RM1 9% Preference shares		30,000
6% Loan notes		40,000
Purchases and sales	121,300	165,400
Rent expense	1,700	
Insurance expense	2,000	
Salaries expense	18,000	
Directors' remuneration	20,000	
Audit fee	7,000	
Legal fee	9,000	
Accounts receivable and payable	18,000	10,000
Equipment (at cost)	16,600	
Premises (at cost)	74,000	
Opening inventory	6,800	
Retained profits (opening)	11,000	
Cash and bank	9,000	
	314,400	314,400

The following additional information is also available:

- 1) Inventory at 31 December 2021 is RM5,000.
- 2) Loan notes interest has not been paid for the year.
- 3) The non current assets are to be depreciated at 10% per annum, on cost.

Required:

Prepare the income statement for Thalia Limited for the financial year ended 31 December 2021. (15 marks)

(Total: 50 marks)

Continued...

QUESTION 3**Part A**

There are three activities listed in the statement of cash flows namely operating activities, investing activities and financing activities.

- a) Cash received from disposal of equipment
- b) Payment for selling expenses
- c) Purchases of inventories
- d) Purchase of equipment
- e) Collection of accounts receivable.
- f) Purchase of land
- g) Payment of accounts payable.
- h) Additional investment by owner
- i) Drawings by owner
- j) Repurchase of ordinary shares (company's own shares).

REQUIRED

For each of the above items, indicate which activity of the statement of cash flows will be reported. (10 marks)

Part B

The following items are extracted from a firm's accounting statements.

	RM
Cash	125,000
Accounts receivable (net)	70,000
Inventory	120,000
Accounts payable	150,000
Net sales for the year	450,000
Average account receivable	35,000
Average total assets	250,000

Required:

Compute the following ratios. Round off answers to one decimal place.

- a) current ratio (4 marks)
- b) acid-test ratio (4 marks)
- c) accounts receivable turnover (4 marks)
- d) ratio of net sales to average total assets (3 marks)

(Total: 25 marks)

End of Paper